# TOTAL NIGERIA PLC

## UNAUDITED FINANCIAL STATEMENTS

**31 March, 2017**

## Contents

# TOTAL NIGERIA PLC

## RESULTS AT A GLANCE

| FOR THE PERIOD ENDED | 31 March 2017 | 31 March 2016 | Change |
|---|---|---|---|
| | ₦'000 | ₦'000 | % |
| Revenue | 80,462,810 | 59,704,845 | 35 |
| Profit before taxation | 4,250,361 | 3,843,316 | 11 |
| Profit for the period | 2,671,515 | 2,824,622 | (5) |
| Share capital | 169,761 | 169,761 | - |

| | 31 March 2017 | 31 March 2016 | Change |
|---|---|---|---|
| **PER SHARE DATA:** | | | % |
| *Based on 339,521,837 ordinary shares of 50 kobo each:* | | | |
| *Earnings per 50 kobo share (Naira) - basic* | *7.87* | *8.32* | *(5)* |
| *Stock exchange quotation (Naira)* | *269.98* | *153.82* | *76* |

| | | | |
|---|---|---|---|
| Number of staff | 480 | 479 | 0 |

## TOTAL NIGERIA PLC

**STATEMENT OF FINANCIAL POSITION**
**FOR THE PERIOD ENDED**

| | Note | 31 March 2017 ₦'000 | 31 December 2016 ₦'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | 25,373,393 | 25,228,049 |
| Intangible assets | 15 | 79,176 | 73,970 |
| Trade and other receivables | 18.1 | 2,213,912 | 1,437,066 |
| Prepayments | 19 | 3,116,918 | 3,261,797 |
| Deferred tax assets | 11.3 | 24,844 | 156,580 |
| **Total non-current assets** | | **30,808,243** | **30,157,462** |
| **Current Assets** | | | |
| Inventories | 17 | 19,480,861 | 34,902,844 |
| Trade and other receivables | 18 | 85,521,961 | 48,497,566 |
| Prepayments | 19 | 1,318,600 | 1,527,811 |
| Cash and cash equivalents | 23 | 13,245,041 | 21,842,477 |
| **Total current assets** | | **119,566,463** | **106,770,698** |
| **Total assets** | | **150,374,706** | **136,928,160** |
| **Equity** | | | |
| Share capital | 22 | 169,761 | 169,761 |
| Retained earnings | | 26,071,851 | 23,400,336 |
| **Total Equity** | | **26,241,612** | **23,570,097** |
| **Non-current liabilities** | | | |
| Deferred income | 21.3 | 21,410 | 21,410 |
| Employee benefits | 12 | 202,699 | 223,792 |
| **Total non-current liabilities** | | **224,109** | **245,202** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 100,042,662 | 95,678,681 |
| Derivative financial liability | 21.4 | 1,191,000 | 1,624,000 |
| Deferred income | 21.2 | 197,154 | 202,131 |
| Current tax liabilities | 11.2 | 6,915,577 | 6,388,307 |
| Borrowings | 20 | 15,562,592 | 9,219,742 |
| **Total current liabilities** | | **123,908,985** | **113,112,861** |
| **Total liabilities** | | **124,133,094** | **113,358,063** |
| **Total equity and liabilities** | | **150,374,706** | **136,928,160** |

These financial statements were approved by the Board of Directors of the Company on 25 April 2017 and signed on behalf of the Board by:

**Rufa'i Sirajo - Director**
***FRC/2013/NSE/00000001547***

Jeff Nnamani - Executive Director (Strategy)
*FRC/2017/IODN/00000015993*

Additionally certified by:

Bassey Okon- Head of Finance
*FRC/2015/ICAN/00000011585*

The notes on pages 6 to 41 form an integral part of these financial statements.

# TOTAL NIGERIA PLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE PERIOD ENDED

| | Note | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | | **₦'000** | **₦'000** |
| Revenue | 6 | 80,462,810 | 59,704,845 |
| Cost of sales | 10 | (71,463,397) | (50,811,862) |
| **Gross profit** | | **8,999,413** | **8,892,983** |
| Other income | 9.1 | 687,078 | 304,697 |
| Selling & distribution costs | 10 | (1,001,987) | (1,395,113) |
| Administrative expenses | 10 | (4,220,943) | (3,793,498) |
| **Operating profit** | | **4,463,561** | **4,009,069** |
| Finance income | 8 | 172,635 | 88,244 |
| Finance costs | 8 | (385,835) | (253,997) |
| **Net finance (cost)/income** | | **(213,200)** | **(165,753)** |
| **Profit before taxation** | | **4,250,361** | **3,843,316** |
| Taxation | 11 | (1,578,846) | (1,018,694) |
| **Profit for the period** | | **2,671,515** | **2,824,622** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the period** | | **2,671,515** | **2,824,622** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share | 14 | 7.87 | 8.32 |

The notes on pages 6 to 41 form an integral part of these financial statements.

# TOTAL NIGERIA PLC

## STATEMENT OF CHANGES IN EQUITY

*For the period ended 31 March 2017*

| | Notes | Share capital ₦'000 | Retained earnings ₦'000 | Total equity ₦'000 |
|---|---|---|---|---|
| **Balance at 1 January 2017** | | 169,761 | 23,400,336 | 23,570,097 |
| **Total comprehensive income for the period** | | - | 2,671,515 | 2,671,515 |
| ***Transactions with owners of the Company:*** | | | | |
| **Contributions and Distributions** | | | | |
| Prior period final dividend | 13 | - | - | - |
| Current period interim dividend | 13 | - | - | - |
| Total transactions with owners of the Company | | - | - | - |
| **Balance at 31 March 2017** | | **169,761** | **26,071,851** | **26,241,612** |

*For the year ended 31 December 2016*

| | Notes | Share capital ₦'000 | Retained earnings ₦'000 | Total equity ₦'000 |
|---|---|---|---|---|
| **Balance as at 1 January 2016** | | 169,761 | 16,072,720 | 16,242,481 |
| **Total comprehensive income for the year** | | - | 14,797,095 | 14,797,095 |
| ***Transactions with owners of the Company:*** | | | | |
| **Contributions and Distributions** | | | | |
| Prior year final dividend | 13 | - | (4,074,261) | (4,074,261) |
| Current year interim dividend | 13 | - | (3,395,218) | (3,395,218) |
| Total transactions with owners of the Company | | - | (7,469,479) | (7,469,479) |
| **Balance at 31 December 2016** | | **169,761** | **23,400,336** | **23,570,097** |

The notes on pages 6 to 41 form an integral part of these financial statements.

# TOTAL NIGERIA PLC

**STATEMENT OF CASH FLOWS**
**FOR THE PERIOD ENDED**

| | Note | 31 March 2017 ₦'000 | 31 December 2016 ₦'000 |
|---|---|---|---|
| Profit for the period | | 2,671,515 | 14,797,095 |
| **Adjustments for:** | | | |
| Depreciation | 16 | 826,819 | 3,206,508 |
| Amortisation | 15 | 15,858 | 66,061 |
| Provision for Long Service Award | | - | 31,001 |
| Gains on sale of PPE | 9 | (42,369) | (50,860) |
| Net forex loss on foreign exchange forward contract | 9.2 | (433,000) | 1,624,000 |
| Net foreign exchange loss | 9.2 | 61,685 | 7,432,460 |
| Net finance costs/ (income) | 8 | 213,200 | 578,310 |
| Taxation | 11.1.1 | 1,578,846 | 5,555,981 |
| | | 4,892,554 | 33,240,556 |
| **Changes in:** | | | |
| - Inventories | | 15,421,983 | (17,511,324) |
| - Trade and other receivables | | (36,483,796) | (15,741,358) |
| - Prepayments | | 354,090 | (413,649) |
| - Trade and other payables | | 4,073,834 | 20,229,603 |
| - Derivative financial liabilities | | (433,000) | 1,624,000 |
| - Deferred income | | (4,977) | (21,606) |
| **Cash generated from operating activities** | | **(12,179,312)** | **21,406,222** |
| Payment for long service award | | (21,093) | (27,827) |
| Tax paid | 11.2 | (919,839) | (4,421,676) |
| **Net cash generated from operating activities** | | **(13,120,244)** | **16,956,719** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 16 | (982,151) | (5,386,456) |
| Purchase of intangible assets | 15 | (21,063) | (7,422) |
| Interest on loans and receivables | 8 | 79,792 | 100,212 |
| Interest on deposits | 8 | 92,843 | 173,339 |
| Proceeds from disposal of property, plant and equipment | | 3,133 | 63,070 |
| **Net cash used in financing activities** | | **(827,447)** | **(5,057,257)** |
| **Cash flow from financing activities** | | | |
| Interest paid | 8 | (385,835) | (851,861) |
| Trade finance loan received | 20 | 5,444,745 | 3,383,092 |
| Dividends paid | 13.1 | - | (3,406,759) |
| **Net cash used in financing activities** | | **5,058,910** | **(875,528)** |
| **Net increase in cash and cash equivalents** | | **(8,888,781)** | **11,023,934** |
| Cash and cash equivalents at 1 January | | 19,016,262 | 2,925,428 |
| Effect of movement in exchange rates on cash held | | (606,759) | 5,066,900 |
| **Cash and cash equivalents** | 23 | **9,520,721** | **19,016,262** |

The notes on pages 6 to 41 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 The Company

**Legal form:**

The Company was incorporated as a private limited liability company in 1956 and was converted to a public company in 1978. The merger of the Company with Elf Oil Nigeria Limited which commenced globally in November 1999 was completed in Nigeria in 2002. With this development, the authorised, issued and fully paid share capital was ₦148,541,000 made up of 297,082,000 ordinary shares of 50k each. In 2003, to mark the completion of its corporate mergers, Total Group worldwide reverted to its former name Total and adopted a new logo with a unifying design to express its corporate ambition.

Accordingly, the Company changed its name from TotalFinaElf Nigeria Plc to Total Nigeria Plc in the same year. With the capitalisation of the bonus issue of 42,440,228 ordinary shares of 50k each in March 2004, the authorised share capital became ₦169,760,918 made up of 339,521,837 ordinary shares of 50k each. 61.72% of the Company's ordinary shares were held by Total Societe Anonyme up until 2013 when a restructuring was concluded and Total Raffinage Marketing became the shareholders of 61.72% of Total Nigeria Plc while the remaining 38.28% are held by some members of the general public.

| | 31 March 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **Number** | **Holdings** | **Number** | **Holdings** |
| | **'000** | **%** | **'000** | **%** |
| Total Raffinage Marketing | 209,560 | 61.72 | 209,560 | 61.72 |
| Other shareholders | 129,962 | 38.28 | 129,962 | 38.28 |
| | **339,522** | **100.00** | **339,522** | **100.00** |

No shareholder, except as disclosed above, held more than 10% of the issued share capital of the Company as at 31 March 2017 (2016: Nil).

**Principal activities**

The principal activity of the Company is the blending of lubricants as well as the sales and marketing of refined petroleum products.

**Description of business**

Total Nigeria Plc. ("the Company") is a subsidiary of Total Raffinage Marketing ("the Parent Company") in France and operates in the petroleum marketing and distribution business in Nigeria. The Company's registered office is situated at:

No. 4, Churchgate street
Victoria Island
Lagos State

## NOTES TO THE FINANCIAL STATEMENTS

### 2.0 Basis of preparation
### 2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Financial Reporting Council (FRC) of Nigeria Act 2011 and the Companies and Allied Matters Act. They were approved by the Board of Directors on 25 April, 2017.

### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the provision for long service award which has been measured at the present value of the obligation (Note 12).

### 2.3 Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency. All financial information presented in Nigerian Naira have been rounded to the nearest thousand unless otherwise stated.

### 2.4 Financial period

These financial statements cover the financial period from 01 January 2017 to 31 March 2017, with corresponding figures for the financial period from 01 January, 2016 to 31 March, 2016, and where appropriate from 01 January to 31 December 2016.

### 2.5 Going Concern

These financial statements have been prepared on a going concern basis.

### 2.6 Use of estimates and judgments

In preparing these financial statements, the directors have made certain judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

*(a)* *Judgement*

Information about judgements made in applying accounting policies that have the most significant effects on amounts recognised in the financial statements are as follows;

*(i)* Cash held with Total Treasury - Note 23

*(ii)* Recognition of foreign exchange balances

Balances in foreign currencies included in Note 26 of these financial statements have been translated using two different rates based on the applicable closing rates at the respective markets to be accessed for purchases as follows:

- *Valid for FOREX transactions*

  These are transactions that have been approved by the Central Bank of Nigeria (CBN) for which FOREX can be sourced at the official exchange rate (CBN rate) for settlement.

- *Non-valid for FOREX transactions*

  These transactions are not approved by the CBN for sourcing at the official market rate. They will therefore be settled through alternative sources at a premium over the official exchange rate.

*(b)* *Assumptions and estimation uncertainties*

The directors have made certain decisions about assumptions and estimation of uncertainties that have the most significant effect on the amounts recognised as follows:

*(i)* *Employee benefits*

The amount recongnised in Note 12 of the financial statements as employee benefits - measurment of the Company's Long Service Award (LSA) scheme. These relate to the discount rate, mortality and inflation rate applied in the computation of the Company's liabilities.

## 3 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April, 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

**Effective for the financial year commencing 1 January 2018**
- IFRS 15 *Revenue from Contracts with Customers*

**Effective for the financial year commencing 1 January 2018**
- IFRS 9 *Financial Instruments*

**Effective for the financial year commencing 1 January 2019**
- IFRS 16 *Leases*

IFRS 14 Regulatory Deferral Accounts, Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38), Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11), Equity Method in Separate Financial Statements (Amendments to IAS 27), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Associates and Joint Ventures: Asset Transactions - Amendments to IFRS 10 and IAS 28), Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28), Agriculture: Bearer plants (Amendments to IAS 16 and IAS 41) are not applicable to the business of the Company and will therefore have no impact on future financial statements.

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

| **Standard/Interpretation not yet effective as at 31 March 2017** | | **Date issued by IASB** | **Effective date Periods beginning on or after** | **Summary of the requirements and assessment of impact** |
|---|---|---|---|---|
| IFRS 15 | *Revenue from contract with customers* | May 2014 | 1 January 2018<br>*Early adoption is permitted* | This standard replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue* , IFRIC 13 *Customer Loyalty Programmes* , IFRIC 15 *Agreements for the Construction of Real Estate* , IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services* .<br>The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.<br>This new standard may not significantly impact the company on the basis that the considerations to be made will largely impact entities with long term contracts.<br>The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; as it cannot be established at this stage. However, the Company will adopt the standard for the year ending 31 December 2018. |

| Standard/Interpretation not yet effective as at 31 March 2017 | | Date issued by IASB | Effective date Periods beginning on or after | Summary of the requirements and assessment of impact |
|---|---|---|---|---|
| IFRS 9 | *Financial Instruments* | July 2014 | 1 January 2018 Early adoption is permitted | On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.<br>IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.<br>The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business. However, the Company will adopt the standard for the year ending 31 December 2018. |
| IFRS 16 | *Leases* | January 2016 | 1 January 2019 Early adoption is permitted only for entities that adopt IFRS 15 Revenue from Contracts with Customers, at or before the date of initial application of IFRS 16. | IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.<br>The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model<br>The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 16 could have on its business. However, the Company will adopt the standard for the year ending 31 December 2019. |

### 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 4.1 Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate on the transaction date. At each reporting date, monetary assets and liabilities are translated at the closing rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss on a net basis as "Other income" (net exchange gain) or "Other expenses" (net exchange loss).

### 4.2 Revenue and other income

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. It also excludes Value Added Tax.

**(i) Sale of goods**

Revenue from the sale of goods is recognised when the following conditions are satisfied :

- The Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement in the goods to the degree usually associated with ownership nor effective control over goods sold;
- The amount of revenue can be measured reliably;
- It is probable that economic benefits associated with the transaction will flow to the Company; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

The timing of the transfer of risks and rewards depends on the individual terms of the sales agreement. For self collection, it occurs when the products are loaded unto the customer's trucks and for all other sales, when the products are delivered to the customer's station or warehouse.

**(ii) Other income**

The Company recognises income from commission on sales at its *bonjour* shops as well as the rental of some of its space to partners. The period of occupancy is the basis upon which rental income is recognised. Rental income is recognised in profit or loss on a straight line basis over the term of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.3 Finance income and finance costs

The Company's finance income comprises interest income on credit bank balances and advances to employees as well as reimbursement of any foreign exchange loss and/or interest from Petroleum Product Pricing Regulatory Agency (PPPRA). Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Reimbursements of foreign exchange loss and/or interest from PPPRA are classified under Operating Activities in the Statement of Cash Flows while interest income on funds invested are classified under investing activities.

Finance costs comprises interest expense on borrowings and unwinding of discount on provisions. Interest expense are recognised in profit or loss using the effective interest method.

### 4.4 Income taxes

Income taxes disclosed in the statement of profit or loss and other comprehensive income include current tax expenses/credits and deferred tax expenses/credits.

*Current Taxes*

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates statutorily or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

The Company offsets the tax assets arising from withholding tax credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set-off the recognised amounts, and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would not be realised.

*Deferred Tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all unused tax credits, unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which these can be utilised. Future taxable profits are determined based on business plans for the Company as approved by the Board of Directors.

Deferred tax assets and liabilities are not recognised if the temporary difference is as a result of taxable temporary differences arising from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of assets or liabilities in a transaction that is not a business combination and affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such reductions are reversed when the probability of future taxable profits improves.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in the statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.5 Earnings per share (EPS)

i *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

ii *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of Basic earnings per share to take into account:

- the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and,
- the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 4.6 Property plant and equipment

**i Recognition and measurement**

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment under construction are disclosed as work in progress. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use including, where applicable, the cost of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

**ii Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**iii Depreciation**

Depreciation methods, useful lives and residual values are reviewed each financial year end and adjusted if appropriate.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Property, plant and equipment are depreciated to their residual values using the straight-line method over their useful lives for current and comparative periods as follows:

| Type of asset | Useful lives |
|---|---|
| · Motor vehicles | 4 years |
| · Office equipment and furniture | 4 years |
| · Computer equipment and other tangibles | 4 - 20 years |
| · Plant, machinery and fittings | 3 - 30 years |
| · Buildings | 10 - 25 years |

Work in progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.7 Intangible assets

**i Recognition and measurement**

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are computer software and software licenses with an estimated useful life of between 3 to 5 years. These are capitalised on the basis of acquisition costs as well as costs incurred to bring the assets to use.

**ii Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

**iii Amortisation of intangible assets**

Amortisation is calculated on the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed each financial year end and adjusted if appropriate.

Development expenses are capitalised when the following can be demonstrated:
• The technical feasibility of the project and availability of adequate resources for completion of the asset.
• The ability of the asset to generate probable future economic benefits.
• The ability to measure reliably the expenditures attributable to the asset.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives, and is generally recognised in the profit or loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 4.8 Technical assistance and management fees

Total Raffinage Marketing charges Total Nigeria Plc for General Assistance recorded and Total Outre Mer charges Total Nigeria Plc for Research & Development costs. The expenses are generally charged to profit or loss when the Company obtains approval from NOTAP with respect to these transactions.

### 4.9 Dividends

An accrual is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

**4.10 Impairment**

**Non-derivative financial assets**

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes;

- Default or delinquency by a debtor
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise
- Indications that a debtor or issuer will enter bankruptcy
- Adverse changes in the payment status of the debtors
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets

**Financial assets measured at amortised cost**

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on timing of recoveries and the amount of loss incurred, and makes adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

**Non financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**4.11 Financial instruments**

The Company classifies non-derivative financial assets into loans and recievables.

The Company classifies non-derivative financial liabilities into other financial liabilities.

**i Non-derivative financial assets**

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and reward of ownership and does not retain control over the transfered asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company has only loans and receivables as non-derivative financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Short term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

Loans and receivables comprise trade receivables, other receivables and employee loans.

**ii Non-derivative financial liabilities**

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: borrowings, trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**iii Derivative financial instruments**

The Company holds derivative financial instruments to hedge its foreign currency exposures.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

**4.12 Share capital**

The Company has only one class of shares namely ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

**4.13 Statement of cash flows**

The statement of cash flows is prepared using the indirect method. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while interest received is included in investing activities. Forex differential and interest claim on Petroleum Support Fund (PSF) are included in operating activities.

**4.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash balances with banks and Total Treasury as well as call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**4.15 Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less estimated cost to make the sale. The cost of blended products/lubricants includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

The basis of costing inventories are as follows:

| Product Type | Cost Basis |
|---|---|
| Refined Petroleum Products<br>(AGO, ATK, PMS, DPK, LPFO, LPG) | Weighted Average Cost |
| Packaging Materials, Solar Lamps, Lubricants, Greases, Special fuids and Car care products | Weighted Average Cost |
| Inventories-in-transit | Purchase cost incurred to date |

### 4.16 Provisions

Provisions comprise liabilities for which the amount and the timing are uncertain. They arise from environmental risks, legal and tax risks, litigation and other risks. A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources will be required and when a reliable estimate can be made regarding the amount of the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessment of the value and the risk specific to the liability. The unwinding of the discount is recognised in profit or loss as a finance cost.

### 4.17 Employee benefits

#### i Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Employees contribute 8% of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis. The Company’s contribution is 10% of each employee’s Basic salary, Transport and Housing Allowances. Staff contributions to the scheme are funded through payroll deductions while the Company’s contribution is recognised in profit or loss as staff costs in the periods during which services are rendered by employees.

*Gratuity scheme*

The Company operates a gratuity scheme for its employees in service before January 2001. This is funded by the Company on a monthly basis, at a rate of contribution of 9.5% of total annual emolument and paid to Fund Managers chosen by each employee.
The Company's obligation are extinguished once the amounts have been transferred to the Fund Managers.

#### ii Other long-term employee benefits

The Company’s other long-term employee benefits represents a Long Service Award scheme instituted for all permanent employees. The Company’s obligations in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company’s obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the period in which they arise. This Scheme is not funded. The obligations are paid out of the Company’s cash flows as and when due.

#### iii Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

#### iv Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 4.18 Government grant

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidises the cost of importation of certain refined petroleum products whose prices are regulated in the Nigerian market. The subsidies are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised in profit or loss as a reduction to the landing cost of the subsidised petroleum product.

**4.19 Leases**

**Determining whether an arrangement contains a lease**

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company seperates payment and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Company concludes for a finance lease that is impracticable to separate the payment reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

**Leased assets**

Assets held by the Company under leases that transfer to the Company substantially all of the risk and reward of ownership are classified as finance lease. The leased assets are measured initially at an amount equal to the lower of the fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.
Any other type of lease is an operating lease, and is not recognised in the statement of financial position.

**Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance income and the reduction of the gross receivable. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of return on the Company's net investment in the lease.

**4.20 Operating Profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

**4.21 Measurement of fair values**

Some of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The Executive Director, Secretary General (EDSG) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The EDSG regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the EDSG assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and the Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## NOTES TO THE FINANCIAL STATEMENTS

**5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.
The Board has given the Company's Chief Executive Officer (CEO) the power to assess the financial performance and position of the Company, allocate resources and make strategic decisions. Segment reports that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Products and services from which reportable segments derive their revenues**

Information reported to the Company's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the sales channels for the company's products (petroleum products, lubricants and others). The principal sales channels are Network, General Trade and Aviation. The Company's reportable segments under IFRS 8 are therefore as follows: Network, General Trade and Aviation.

The following summary describes the operations of each reportable segment.

| Reportable Segment | Operations |
|---|---|
| Network | Sales to service stations |
| General Trade | Sales to corporate customers excluding customers in the aviation industry |
| Aviation | Sales to customers in the aviation industry |

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current period (2016: Nil). Performance is measured based on segment.

5.1 **Segment profit or loss (key items)**

**31 March 2017**

| | | NETWORK | | GENERAL TRADE | | AVIATION | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | ₦'000 | | ₦'000 | | ₦'000 | | ₦'000 |
| Revenue | 71% | 56,996,279 | 25% | 19,776,350 | 5% | 3,690,181 | 100% | 80,462,810 |
| Gross profit | 78% | 7,029,920 | 25% | 2,205,617 | -3% | (236,124) | 100% | 8,999,413 |
| Finance income | 85% | 146,049 | 11% | 18,817 | 5% | 7,769 | 100% | 172,635 |
| Finance cost | 85% | (326,416) | 11% | (42,056) | 5% | (17,363) | 100% | (385,835) |
| Taxation | 73% | (1,147,612) | 44% | (691,299) | -16% | 260,066 | 100% | (1,578,846) |
| Increase/ (writeback) of Impairment allowance | 11% | 4,200 | 89% | 35,195 | 0% | 62 | 100% | 39,457 |
| Depreciation and amortisation | 88% | (745,654) | 12% | (96,929) | 0% | (94) | 100% | (842,677) |

**31 March 2016**

| | | NETWORK | | GENERAL TRADE | | AVIATION | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | ₦'000 | | ₦'000 | | ₦'000 | | ₦'000 |
| Revenue | 74% | 44,450,457 | 18% | 10,022,804 | 7% | 20,096,655 | 100% | 59,704,845 |
| Gross profit | 65% | 5,747,430 | 31% | 7,241,888 | 4% | 446,798 | 100% | 8,892,983 |
| Finance income | 76% | 78,515 | 23% | 9,187 | 1% | 12,483 | 100% | 88,244 |
| Finance cost | 76% | (1,356,874) | 23% | (400,573) | 1% | (33,153) | 100% | (253,997) |
| Depreciation and amortisation | 94% | (673,478) | 6% | (95,904) | 0% | (143) | 100% | (797,548) |

## TOTAL NIGERIA PLC

### NOTES TO THE FINANCIAL STATEMENTS

#### 5.2 Segment assets and liabilities

**31 March 2017**

| | | NETWORK ₦'000 | | GENERAL TRADE ₦'000 | | AVIATION ₦'000 | | TOTAL ₦'000 |
|---|---|---|---|---|---|---|---|---|
| Non-current assets | 84% | 25,866,214 | 11% | 3,264,875 | 5% | 1,677,155 | 100% | 30,808,243 |
| Inventories | 85% | 16,536,050 | 13% | 2,551,396 | 2% | 393,415 | 100% | 19,480,861 |
| Receivables and prepayments | 57% | 49,870,725 | 31% | 27,294,561 | 11% | 9,675,274 | 100% | 86,840,561 |
| Cash and cash equivalents[1] | 71% | 9,382,198 | 25% | 3,255,399 | 5% | 607,443 | 100% | 13,245,041 |
| **ASSETS** | **68%** | **101,655,187** | **24%** | **36,366,230** | **8%** | **12,353,287** | **100%** | **150,374,706** |
| Addition to non-current assets | 84% | 546,387 | 11% | 68,966 | 5% | 35,428 | 100% | 650,781 |
| Payables, deferred income and current tax liabilities | 74% | 79,781,277 | 14% | 14,919,227 | 13% | 13,645,889 | 100% | 108,346,393 |
| Borrowings[1] | 71% | 11,023,850 | 25% | 3,825,013 | 5% | 713,731 | 100% | 15,562,592 |
| Non-current liabilities | 94% | 210,707 | 5% | 10,307 | 1% | 3,095 | 100% | 224,109 |
| **LIABILITIES** | **73%** | **91,015,834** | **15%** | **18,754,547** | **12%** | **14,362,715** | **100%** | **124,133,094** |

**31 December 2016**

| | | NETWORK ₦'000 | | GENERAL TRADE ₦'000 | | AVIATION ₦'000 | | TOTAL ₦'000 |
|---|---|---|---|---|---|---|---|---|
| Non current assets | 84% | 25,319,826 | 11% | 3,195,909 | 5% | 1,641,727 | 100% | 30,157,462 |
| Inventories | 85% | 29,626,780 | 13% | 4,571,203 | 2% | 704,861 | 100% | 34,902,844 |
| Receivables and prepayments | 57% | 28,728,532 | 31% | 15,723,306 | 11% | 5,573,539 | 100% | 50,025,377 |
| Cash and cash equivalents[1] | 74% | 16,225,246 | 16% | 3,556,719 | 9% | 2,060,512 | 100% | 21,842,477 |
| **ASSETS** | **73%** | **99,900,384** | **20%** | **27,047,136** | **7%** | **9,980,639** | **100%** | **136,928,160** |
| Addition to non-current assets | 84% | 2,208,346 | 11% | 278,741 | 5% | 143,188 | 100% | 2,630,277 |
| Payables, deferred income and current tax liabilities | 74% | 76,502,092 | 14% | 14,306,014 | 13% | 13,085,013 | 100% | 103,893,119 |
| Borrowings[1] | 74% | 6,848,702 | 16% | 1,501,296 | 9% | 869,745 | 100% | 9,219,742 |
| Non-current liabilities | 94% | 230,539 | 5% | 11,277 | 1% | 3,386.00 | 100% | 245,202 |
| **LIABILITIES** | **74%** | **83,581,333** | **14%** | **15,818,587** | **12%** | **13,958,144** | **100%** | **113,358,063** |

[1]For the purpose of monitoring segment performance and allocating resouces between segments, cash and borrowings are allocated to reportable segments on the basis of the revenues earned by individual segments.

## 6 Revenue

An analysis of the Company's revenue is as follows:

| | 31 March 2017 ₦'000 | 31 March 2016 ₦'000 |
|---|---|---|
| Petroleum products | 67,414,499 | 51,706,229 |
| Lubricants and others | 13,048,311 | 7,998,616 |
| | 80,462,810 | 59,704,845 |

## 7 Auditor's remuneration

The analysis of auditors' remuneration is as follows:

| | 31 March 2017 ₦'000 | 31 March 2016 ₦'000 |
|---|---|---|
| Statutory audit fees | 6,526 | 5,694 |
| Total audit fees | 6,526 | 5,694 |
| Other non-audit services | - | 1,255 |
| Total fees | 6,526 | 6,949 |

## 7.1 Fees paid to professional consultants

| | 31 March 2017 ₦'000 | 31 March 2016 ₦'000 |
|---|---|---|
| - Tax services | 43,825 | 27,135 |
| - Information technology services | 99,127 | 67,815 |
| - Litigation services | 16,085 | 19,638 |
| - Recruitment and remuneration services | 5,203 | 90 |
| - Aviation subrogation fees | 16,032 | 4,783 |
| - Product supply fees and certifications | 11,518 | 3,000 |
| - Other services | 29,136 | 24,486 |
| | 220,926 | 146,947 |

## 8 Net Finance (costs)/income

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **Finance income:** | **₦'000** | **₦'000** |
| Interest on unclaimed dividend | 79,792 | 66,729 |
| Interest on deposits | 92,843 | 21,515 |
| Total finance income | 172,635 | 88,244 |
| **Finance costs:** | | |
| Interest on bank overdrafts and loans | (385,835) | (253,997) |
| Total finance costs | (385,835) | (253,997) |
| Net finance (costs) / income | (213,200) | (165,753) |

## NOTES TO THE FINANCIAL STATEMENTS

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| 9 | **Other income and expenses** | | |
| 9.1 | **Other income** | | |
| | Network income[1] | 272,618 | 275,416 |
| | Other sundry income[2] | 776 | 848 |
| | Gain on sales of property, plant and equipment | 42,369 | 16,044 |
| | Net foreign exchange gain/(loss) | 371,315 | (203,110) |
| | | 687,078 | 89,198 |

[1]Network income represents income from Bonjour shop, rent, vendor management fees and other miscellaneous income.

[2]Other sundry income relates to royalties received and car scheme income.

| 10 | **Expenses by nature** | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| | Changes in inventory of lubes, greases and refined products | 70,426,149 | 50,017,577 |
| | Custom duties | 398,284 | 154,512 |
| | Transport of supplies | 625,840 | 639,773 |
| | Distribution cost | 1,001,987 | 1,395,113 |
| | Staff costs (Note 31(iii)) | 1,983,976 | 2,030,184 |
| | Depreciation (Note 16) | 826,819 | 780,006 |
| | Amortisation of software (Note 15) | 15,858 | 17,542 |
| | Rent | 197,171 | 141,230 |
| | Maintenance expenses | 336,417 | 202,159 |
| | Motor fuels and travelling expenses | 206,451 | 146,138 |
| | Communication, computer and stationery expenses | 41,188 | 88,151 |
| | Bank charges | 17,944 | 27,823 |
| | Business promotion and publicity | 181,876 | 92,051 |
| | Other expenses | 3,055 | 2,063 |
| | Security & guarding | 62,481 | 62,556 |
| | Write back of impairment allowance | (300,205) | (346,364) |
| | Impairment allowance | 339,662 | 218,884 |
| | Fees paid to professional consultants (Note 7.1) | 220,926 | 146,947 |
| | Rental services | | 36,846 |
| | Purchase of consumables | 2,577 | 24,169 |
| | Insurance | 38,743 | 28,617 |
| | Service charge | 4,471 | 52,326 |
| | Levies | 34,170 | 18,282 |
| | Entertainment expenses | 12,742 | 10,349 |
| | Engineering studies | 719 | 5,052 |
| | De-pollution and environment | 500 | 1,538 |
| | Auditor's fees (Note 7) | 6,526 | 6,949 |
| | Total cost of sales, selling & distribution costs and administrative expenses | 76,686,327 | 56,000,473 |
| | | **(0)** | |

### 11 Income tax

**Income tax expense**

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes and comprises:

| 11.1.1 Amounts recognised in profit or loss | 31 March 2017 ₦'000 | 31 March 2016 ₦'000 |
|---|---|---|
| ***Current tax expenses:*** | | |
| Income tax | 1,343,250 | 1,182,962 |
| Education tax | 103,860 | 90,715 |
| Capital gains tax | - | - |
| Current year tax expense | 1,447,110 | 1,273,678 |
| Prior year over provsion | - | - |
| | 1,447,110 | 1,273,678 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences (Note 11.3) | 131,736 | (254,984) |
| Tax expense | **1,578,846** | **1,018,694** |

| 11.1.2 Reconciliation of effective tax rate | 31 March 2017 ₦'000 | 31 March 2016 ₦'000 |
|---|---|---|
| **Profit before tax** | **4,250,361** | **3,843,316** |
| Income tax using the statutory tax rate (30%) | 1,275,108 | 1,152,995 |
| Effect of tertiary education tax rate (2%) | 85,007 | 90,715 |
| Non-deductible expenses | 13,338 | 1,374 |
| Tax incentives | (2,955) | (8,298) |
| Others | 191,812 | (218,093) |
| Difference in CIT and TET rates | 16,536 | - |
| | **1,578,846** | **1,018,693** |

| 11.2 Movement in current tax liability | 31 March 2017 ₦'000 | 31 December 2016 ₦'000 |
|---|---|---|
| Balance as at 1 January | 6,388,307 | 1,874,905 |
| Net provision for the year (Note 11.1.1) | 1,447,110 | 8,935,078 |
| Payments during the year | (791,593) | (4,057,700) |
| Withholding tax credit notes | (128,247) | (363,976) |
| Balance as at 31 December | **6,915,577** | **6,388,307** |

## NOTES TO THE FINANCIAL STATEMENTS

**11.3 Deferred taxation**

**Deferred tax assets and liabilities are attributable to the following;**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31 March 2017 | December 2016 | 31 March 2017 | December 2016 | 31 March 2017 | December 2016 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Property, plant and equipment | - | - | (3,909,673) | (3,740,659) | (3,909,673) | (3,740,659) |
| Provision for doubtful debts | 525,674 | 510,061 | - | - | 525,674 | 510,061 |
| Provision for employee benefits | 71,614 | 71,614 | - | - | 71,614 | 71,614 |
| Provision for inventory | 24,583 | 27,570 | - | - | 24,583 | 27,570 |
| Unrealised exchange differences | 3,312,645 | 3,287,994 | - | - | 3,312,645 | 3,287,994 |
| | 3,934,517 | 3,897,239 | (3,909,673) | (3,740,659) | 24,844 | 156,580 |

**Movement in deferred tax balances during the period;**

| | Balance 1 January 2016 | Recognised in profit or loss | Balance 31 December 2016 | Recognised in profit or loss | Balance 31 March 2017 |
|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Property, plant and equipment | (3,365,814) | (374,845) | (3,740,659) | (169,014) | (3,909,673) |
| Provision for doubtful debts | 93,101 | 416,960 | 510,061 | 15,613 | 525,674 |
| Provision for employee benefits | 2,860 | 68,754 | 71,614 | - | 71,614 |
| Provision for inventory | 25,869 | 1,701 | 27,570 | (2,987) | 24,583 |
| Unrealised exchange difference | 21,466 | 3,266,528 | 3,287,994 | 24,651 | 3,312,645 |
| | (3,222,517) | 3,379,097 | 156,580 | (131,736) | 24,844 |

**11.4** The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 (as amended) and the tertiary education tax charge is based on the Tertiary Education Trust Fund Act, 2011.

# TOTAL NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS

**12.0 Employee benefits**

Employee benefits represents the Company's liability for long service awards. Staff who have attained the milestones for the specified number of years of service in the Company (i.e. 10 years, 15 years and 20 years) are rewarded with cash and gift items as long service awards.

No provision has been made for the period ended 31 March, 2017. (March 2016: Nil)

**13 Dividends**

**Declared dividends**

The following dividends were declared by the Company during the period.

| | 31 March 2017 ₦'000 | 31 December 2016 ₦'000 |
|---|---|---|
| *Prior year final dividend:* | | |
| ₦12.00 per qualifying ordinary share (2014: ₦9.00) | | 4,074,261 |
| *Current year interim dividend:* | | |
| ₦10.00 per qualifying ordinary share (2015: ₦2.00) | | 3,395,218 |
| | **-** | **7,469,479** |

**13.1 Dividend payable**

| | 31 March 2017 ₦'000 | 31 December 2016 ₦'000 |
|---|---|---|
| Balance as at 1 January | 5,225,573 | 1,162,853 |
| Final dividend (prior year) | - | 4,074,261 |
| Interim dividend (current year) | - | 3,395,218 |
| | 5,225,573 | 8,632,332 |
| Offset against related party balance | - | - |
| Dividend paid | - | (3,406,759) |
| Balance | 5,225,573 | 5,225,573 |

By the provision of the Securities and Excange Commission (SEC) directives , dividend which remain unclaimed for 12 years stand forfeited.

## NOTES TO THE FINANCIAL STATEMENTS

**14 Earnings per share (EPS) and dividend declared per share**

**Basic earnings per share**

Basic earnings per share of ₦7.87 (March 2016: ₦8.32) is based on profit attributable to ordinary shareholders of ₦2.7 Billion (March 2016: ₦2.8 Billion), and on the 339,521,837 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (March 2016: 339,521,837 ordinary shares).

The company has no dilutive potential ordinary shares and as such, diluted and basic earnings per share are the same.

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **Earnings** | | |
| Profit for the year attributable to shareholders (expressed in Naira) | 2,671,515,000 | 2,824,622,000 |
| **Number of shares** | | |
| Weighted average ordinary shares of 50 kobo each | 339,521,837 | 339,521,837 |
| Basic earnings per 50 kobo share (expressed in Naira) | 7.87 | 8.32 |

The denominators for the purposes of calculating basic earnings per share are based on issued and paid ordinary shares of 50 kobo each.

| **15 Intangible assets** | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **Cost** | **₦'000** | **₦'000** |
| Balance as 1 January | 383,361 | 375,939 |
| Additions | 21,063 | 7,422 |
| Balance | 404,424 | 383,361 |
| **Amortisation** | | |
| Balance as 1 January | (309,390) | (243,329) |
| Charge for the period[1] | (15,858) | (66,061) |
| Balance | (325,248) | (309,390) |
| **Carrying amount** | | |
| **At 1 January** | **73,970** | **132,609** |
| **Balance** | **79,176** | **73,970** |

[1]Amortization of intangible assets are included in administrative expenses in the Profit or Loss.

## 16 Property, plant and equipment

The movement on these accounts were as follows:

**For the period ended 31 March 2017**

| | Leasehold land and buildings | Plant, machinery and fittings | Office equipment and furniture | Computer equipment | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Cost** | | | | | | | |
| Balance as at 1 January 2016 | 15,517,498 | 12,053,383 | 587,577 | 8,093,341 | 1,478,544 | 4,192,846 | 41,923,189 |
| Additions | 646,240 | 604,951 | 8,773 | 664,841 | 426,360 | 3,035,291 | 5,386,456 |
| Transfers (Note 16.1) | 803,762 | (244,748) | (35,335) | 2,465,287 | 144,668 | (3,164,472) | (30,838) |
| Disposals | (14,036) | (166,082) | (2,782) | (156,016) | (44,062) | - | (382,978) |
| Balance as at 31 December 2016 | 16,953,464 | 12,247,504 | 558,233 | 11,067,453 | 2,005,510 | 4,063,665 | 46,895,829 |
| Balance as at 1 January 2017 | 16,953,464 | 12,247,504 | 558,233 | 11,067,453 | 2,005,510 | 4,063,665 | 46,895,829 |
| Additions | 29,297 | 68,003 | - | 23,582 | 79,436 | 781,833 | 982,151 |
| Transfers (Note 16.1) | 274,399 | 541,098 | 4,943 | 100,692 | - | (921,132) | (0) |
| Disposals | - | (40,260) | (135) | (7,000) | (67,105) | - | (114,500) |
| Balance as at 31 March 2017 | 17,257,160 | 12,816,345 | 563,041 | 11,184,727 | 2,017,841 | 3,924,366 | 47,763,480 |
| **Accumulated depreciation and impairment** | | | | | | | |
| Balance as at 1 January 2016 | (4,063,390) | (6,624,643) | (515,694) | (6,703,249) | (925,071) | - | (18,832,047) |
| Charge for the period | (632,569) | (1,146,654) | (43,302) | (1,128,731) | (255,252) | - | (3,206,508) |
| Eliminated on disposals | 13,456 | 164,558 | 2,573 | 154,510 | 35,678 | - | 370,775 |
| Balance as at 31 December 2016 | (4,682,503) | (7,606,739) | (556,423) | (7,677,470) | (1,144,645) | - | (21,667,780) |
| Balance as at 1 January 2017 | (4,682,503) | (7,606,739) | (556,423) | (7,677,470) | (1,144,645) | - | (21,667,780) |
| Charge for the period | (160,691) | (255,435) | (6,700) | (326,386) | (77,607) | - | (826,819) |
| Eliminated on disposals | - | 33,456 | 135 | 8,046 | 62,875 | - | 104,512 |
| Balance as at 31 March 2017 | (4,843,194) | (7,828,718) | (562,988) | (7,995,810) | (1,159,377) | - | (22,390,087) |
| **Carrying amount** | | | | | | | |
| **At 1 January 2016** | 11,454,108 | 5,428,740 | 71,883 | 1,390,092 | 553,473 | 4,192,846 | 23,091,142 |
| **At 31 December 2016** | 12,270,961 | 4,640,765 | 1,810 | 3,389,983 | 860,865 | 4,063,665 | 25,228,049 |
| **At 31 March 2017** | **12,413,967** | **4,987,626** | **53** | **3,188,917** | **858,464** | **3,924,366** | **25,373,393** |

**16.1** Transfers represent additions to other categories of PPE as well as from period's work-in-progress as they become completed. Capital work in progress items include construction and other tangible asset awaiting completion.

### 17 Inventories

Inventories comprise:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Raw materials | 384,711 | 464,342 |
| Goods in transit | 215,307 | 983,413 |
| Finished goods | 17,818,073 | 32,445,530 |
| Consumable equipment and spares | 1,062,770 | 1,009,559 |
| | 19,480,861 | 34,902,844 |

### 18 Trade and other receivables

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Customers account | 22,920,720 | 18,033,320 |
| Due from related parties (Note 30.2) | 217,153 | 442,459 |
| ***Total trade receivables*** | **23,137,873** | **18,475,779** |
| Finance lease receivable (Note 18.1 (b)) | 244,000 | 244,000 |
| Advance on letters of credit | 23,695,387 | 8,877,393 |
| Bridging claims | 8,451,117 | 13,563,608 |
| Receivable from Petroleum Support Funds | 251,654 | 1,067,501 |
| Cardinal Stone Registrars (Unclaimed dividends) | 1,306,535 | 1,306,535 |
| Other receivables[1] | 28,435,395 | 4,962,750 |
| ***Total other receivables*** | **62,384,088** | **30,021,787** |
| | **85,521,961** | **48,497,566** |

### 18.1 Trade and other receivables

Trade and other receivables comprise:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| Employee receivables (Note 18.1.1) | 1,433,900 | 1,015,605 |
| Net investment in finance lease | 1,055,000 | 1,055,000 |
| | **2,488,900** | **2,070,605** |

**18.1.1 Employee receivables**

Employee loans are secured by employee retirement benefit obligations. Current portion is included in Note 18 as part of other receivables.

**18.2** As at 31 March 2017, ageing of trade and other receivables that were not impaired was as follows:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Neither past due nor impaired | 18,482,826 | 13,069,940 |
| 0 - 90 days past due | 3,398,993 | 4,675,902 |
| 91 - 180 days past due | 977,427 | 149,175 |
| Above 180 days past due | 278,626 | 580,762 |
| | **23,137,873** | **18,475,779** |

**18.3 Ageing of impairments**

The Company considers its receivables to be impaired when normal collection methods fail and the receivables are referred to the legal team/collection agents.

**18.4 Movement in the impairment allowance**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Balance as at 1 January | 1,682,125 | 1,864,528 |
| Impairment losses recognised | 339,662 | 732,331 |
| Amounts written off during the period as uncollectible | (9,335) | (5,070) |
| Amounts recovered during the period | (290,870) | (909,665) |
| Balance | 1,721,582 | 1,682,125 |

In determining the recoverability of a receivable, the Company considers changes in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the Company's diverse customer base.

**19 Prepayments**

Non-current and current prepayments mainly represent long term prepaid network assets, advance payment for rent and insurance expenses.

| | | 31 March 2017 | 31 December 2016 |
|---|---|---|---|
| **20** | **Borrowings** | **₦'000** | **₦'000** |
| | **Unsecured borrowings at amortised cost** | | |
| | Bank overdrafts (Note 23) | 3,724,320 | 2,826,215 |
| | Trade finance loan | 11,838,272 | 6,393,527 |
| | **Total borrowings** | **15,562,592** | **9,219,742** |

The principal features of the Company's borrowings are as follows:

- Bank overdrafts are repayable on demand. The average interest rate on bank overdrafts for the period was approximatey 18.5% per annum (December 2016: 14.1% per annum). This was determined based on banks' cost of funding plus lenders' mark-up. These overdrafts are neither guaranteed nor is any collateral given on the balances.

Trade finance loan represents short term borrowings obtained to fund letters of credits for product importation.

- The fair value of current borrowings approximates their carrying amount as at 31 March 2017, as the impact of discounting is not significant.

**21 Trade and other payables**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Trade payables :** | | |
| Amount due to related companies (Note 30.2) | 21,700,419 | 32,751,817 |
| Trade creditors | 17.422.769 | 10.871.477 |
| Bridging contribution | 12,383,240 | 20,976,834 |
| Payable to Petroleum Support Funds | 616,869 | 1,406,104 |
| Other suppliers [1] | 2,387,722 | 565,603 |
| | **54,511,019** | **66,571,835** |
| **Other payables:** | | |
| Sundry creditors | 6,882,524 | 7,019,433 |
| Security deposits | 6,398,360 | 5,843,251 |
| Accrued liabilities | 26,922,356 | 10,970,037 |
| Dividend payable | 5,225,573 | 5,225,573 |
| Pay As You Earn (PAYE) | 39,350 | 28,163 |
| Staff pension | 50,378 | 17,246 |
| Staff gratuity | 13,102 | 3,143 |
| | **45,531,643** | **29,106,846** |
| **Total trade and other payables** | **100,042,662** | **95,678,681** |

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

Accrued liabilities principally comprise accrual for product bills and other charges for which invoices were not yet received at the end of the period.

The Directors consider that the carrying amount of trade payables as at 31 March 2017 approximates their fair value.
Information about the Group's exposure to currency and liquidity risks is included in Note 26(iii)

[1]Other suppliers represents accruals made for transport costs related to products.

**21.2 Deferred income (current)**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Rental services | 130,229 | 162,943 |
| Advance received for solar distribution | 66,925 | 39,188 |
| | **197,154** | **202,131** |

**21.3 Deferred income (non current)**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Rental services | 21,410 | 21,410 |
| | **21,410** | **21,410** |

The deferred income represents amounts billed or collected in accordance with contractual terms in advance of when the goods are delivered or services rendered. These advance payments primarily relate to the rental income and prepaid revenue for goods and services yet to be rendered. The Company estimates this will be earned as revenue during the subsequent financial periods.

**21.4 Derivative liabilities**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Forward exchange contracts | 1,191,000 | 1,624,000 |
| | **1,191,000** | **1,624,000** |

These forward exchange contracts were not designated as cash flow or fair value hedges. The Company accounted for these derivatives at fair value which was determined using valuation techniques. The fair value was calculated as the present value of the expected cash flows under the contracts at the reporting dates.

As at the end of the period, the forward exchange contract had not yet matured and is expected to mature within the next twelve months.

**22 Share capital**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Authorised, Issued and fully paid:** | | |
| 339,521,837 ordinary shares of 50 kobo each | 169,761 | 169,761 |

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

**23 Cash and cash equivalents**

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Bank and cash balances | 13,245,041 | 9,444,643 |
| Bank and cash balances | 6,347,718 | 16,851,050 |
| Cash balances with Total Treasury (Note 30.2) | 6,897,323 | 4,991,427 |
| Cash & cash equivalents in statement of financial position | 13,245,041 | 21,842,477 |
| Bank overdrafts (Note 20) | (3,724,320) | (2,826,215) |
| Cash & cash equivalents in statement of cash flows | 9,520,721 | 19,016,262 |

The directors believe that the amounts held with Total Treasury qualify as cash and cash equivalents because they can be withdrawn at any time without penalty.

## 24 Commitments and contigent liabilities

### Financial commitments

The Company did not charge any of its assets to secure liabilities of third parties.

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of these financial statements. These liabilities are relevant in assessing the Company's state of affairs.

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| **Bonds** | **₦'000** | **₦'000** |
| Total commitments given | 35,350 | 35,350 |
| Total commitments received | 1,572,522 | 1,572,522 |

Commitments given primarily include bonds to Major Oil Marketers Association of Nigeria (MOMAN) for joint petroleum product importation in the ordinary course of business. No losses are anticipated in respect of these.

Commitments received include customers' guarantees.

Commitments received and given are held with local banks.

At 31 March 2017, the Company had contractual commitments for the acquisition of property, plant and equipment amounting to ₦4Billion (2015: ₦4.2 Billion).

### Contingent liabilities

There are contingent liabilities in respect of legal actions against the Company amounting to approximately ₦1.3 trillion (Dec 2016: ₦1.3 trillion). The Directors have not made provisions for these contingent liabilities as consultation with the Company's external solicitors has indicated that the likely outcome of the legal actions will favour the Company and as such no material losses will crystalise against the Company.

### 25 Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior period.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

The Company is not subject to any externally imposed capital requirements.

**Gearing ratio**

The gearing ratio is as follows:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Borrowings (Note 20) | 15,562,592 | 9,219,742 |
| Cash and cash equivalents (Note 23) | (13,245,041) | (21,842,477) |
| Net debt | 2,317,551 | (12,622,735) |
| Equity | 26,241,612 | 23,570,097 |
| Net debt to equity ratio | 8.83% | -53.55% |

Borrowing is defined mainly as long and short-term borrowings.
Equity includes all capital and reserves of the Company that are managed as capital.

**26 Financial risk management**

**(i) Financial risk management objectives**

The Company’s Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The Company's Treasury function reports monthly to the Group's Treasury, a section of the Group that monitor's risk and policies implemented to mitigate risk exposures.

**(ii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company manages market risks by keeping costs low through various cost optimisation programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

**Interest rate risk management**

The Company is exposed to interest rate risk as it borrows funds at multiple interest rates. The risk is managed by the Company by constantly negotiating with the banks to ensure that interest rates are consistent with the monetary policy rates as defined by the Central Bank of Nigeria.

***Interest rate risk***
***Sensitivity analysis***

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Variable rate instruments** | | |
| Borrowings | 15,562,592 | 9,219,742 |
| | 15,562,592 | 9,219,742 |

**Sensitivity analysis for variable rate instruments**

A change of 200 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below:

Change of 200 basis points or 2%

| | Interest charged | Effect of increase/decrease in Interest rate | |
|---|---|---|---|
| | ₦'000 | | ₦'000 |
| 31 December 2017 | 385,835 | '+/-2 % | 41,712 |
| 31 December 2016 | 851,861 | '+/-2 % | 92,093 |

**26 Financial Risk Management (cont'd)**

**Foreign exchange risk management**

A movement in the exchange rate either positively or negatively by 1500 basis points is illustrated below. Such movements would have increased (decreased) the profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates, remain constant.

*Effect in thousands of Naira*

***As at 31 March 2017***

| | Foreign currency | Naira balance | Exchange rate | Effect of increase/decrease in exchange rate | |
|---|---|---|---|---|---|
| | '000 | '000 | | | N '000 |
| ***Trade receivables*** | | | | | |
| USD | 2,432 | 765,472 | 314.75 | '30% | 229,642 |
| Euro | | | | '30% | - |
| ***Cash deposits*** | | | | | |
| USD | 22,885 | 7,203,054 | 314.75 | '30% | 2,160,916 |
| EURO | 104 | 34,284 | 329.65 | '30% | 10,285 |
| ***Trade payables*** | | | | | |
| USD | (64,370) | (20,260,533) | 314.75 | '30% | (6,078,160) |
| EURO | (19,631) | (6,471,226) | 329.65 | '30% | (1,941,368) |
| ***Trade payables (Non-valid for forex)*** | | | | | |
| USD | (20,202) | (9,781,152) | 484.17 | '30% | (2,934,346) |
| **Net impact on profit or loss** | | | | | |
| USD | **(59,255)** | **(22,073,159)** | **372.51** | **30%** | **(6,621,948)** |
| EURO | **(19,527)** | **(6,436,942)** | **329.65** | **30%** | **(1,931,084)** |

***As at 31 December 2016***

| | Foreign currency | Naira balance | Exchange rate | Effect of increase/decrease in exchange rate | |
|---|---|---|---|---|---|
| | '000 | '000 | | | N '000 |
| **Trade receivables** | | | | | |
| USD | 2,674 | 842,979 | 315.25 | '30% | 252,894 |
| Euro | | | | '30% | - |
| **Cash deposits** | | | | | |
| USD | 16,137 | 5,087,189 | 315.25 | '30% | 1,526,157 |
| EURO | 138 | 45,921 | 332.76 | '30% | 13,776 |
| **Trade payables** | | | | | |
| USD | (68,894) | (21,718,972) | 315.25 | '30% | (6,515,692) |
| EURO | (16,326) | (5,432,793) | 332.76 | '30% | (1,629,838) |
| ***Trade payables (Non-valid for forex)*** | | | | | |
| USD | (22,139) | (10,718,898) | 484.17 | '30% | (3,215,670) |
| **Net impact on profit or loss** | | | | | |
| USD | **(72,222)** | **(26,507,703)** | **367.03** | **30%** | **(7,952,311)** |
| EURO | **(16,188)** | **(5,386,872)** | **332.76** | **30%** | **(1,616,063)** |

A decrease in exchange rate by 1500 basis points against the above currencies at the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Financial Risk Management (cont'd)**

**(iii) Liquidity risk management**

**Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities with agreed repayment years. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting year. The contractual maturity is based on the earliest date on which the Company may be required to pay.

| | | Contractual cashflows | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total** | **Less than 1 month** | **1 to 3 months** | **3 months to 1 year** | **1 to 5 Years** |
| **31 March 2017** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Borrowings | 15,562,592 | 15,562,592 | 3,724,320 | 11,838,272 | - | - |
| Trade payables | 54,511,019 | 54,511,019 | 19,810,491 | 22,317,288 | 12,383,240 | - |
| Other Payables | 45,111,169 | 45,111,169 | 16,129,130 | 15,154,257 | 13,827,782 | - |
| Forward exchange contracts | 1,191,000 | 1,175,816 | | 1,175,816 | | |
| | **116,375,780** | **116,360,596** | **39,663,940** | **50,485,633** | **26,211,022** | **-** |
| **31 December 2016** | | | | | | |
| Borrowings | 9,219,742 | 9,219,742 | 2,826,215 | 6,393,527 | - | - |
| Trade payables | 66,571,835 | 66,571,835 | 11,437,080 | 34,157,921 | 20,976,834 | - |
| Other Payables | 28,550,619 | 28,550,619 | 10,208,040 | 9,591,049 | 8,751,530 | - |
| Forward exchange contracts | 1,624,000 | 1,608,816 | | 1,608,816 | | |
| | **104,342,196** | **104,342,196** | **24,471,336** | **50,142,497** | **29,728,364** | **-** |

The Company manages liquidity risk by maintaining reserves, banking facilities by monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities. Below is a listing of financing facilities that the Company has at its disposal to further reduce liquidity risk.

**Financing facilities**
Unsecured bank loans which are revolving trade loan with a tenure of one year and overdrafts payable at call are reviewed annually.

| | 2017 | 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Amount used | 9,219,742 | 9,219,742 |
| Amount unused | 50,780,258 | 50,780,258 |
| Total Facilities | 60,000,000 | 60,000,000 |

**Financial Risk Management (cont'd)**

**(iv) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate e.g. security deposits, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. Credit exposure is controlled by setting credit limits that are routinely reviewed and approved by the management.

The company is issued bank guarantees in its favour for transactions with certain customers. These guarantees are held with Nigerian banks against the eventuality of a default. Existing guarantees at the reporting date have been disclosed as commitment received under Note 24.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The credit policy of Total Nigeria Plc. is set in accordance with the sales channel that the Customer belongs to:

**Network Channel:** Credit is extended to dealers who operate the Company Owned, Dealer Operated Service Station (CODO) and some of the Dealer Owned, Dealer Operated service stations (DODO) who specifically apply to operate under the DODO credit scheme. Under both CODO and DODO credit schemes, credit is extended to each dealer to cover the working capital needs of the station. Each day's sales proceeds are lodged into the Company's bank accounts at least twice daily. The Company's financial risk exposure is covered by retentions from dealers income to increase the security deposit, as well as retention of title over physical stock in the station in event of non payment.

**General Trade (GT) Channel**: Credit for the GT customers is set at the monthly average sales to the customer for a year of one year or six months after proper financial and qualitative analysis. The approved credit limit is extended for 30 days or 45 days in rare occassions for blue chip companies.

**Aviation Channel**: Most of the customers are on a cash and carry basis with the exception of a few companies with 15 days credit limit. Credit is given only after a year of three months sales to the customer. Sales to international customers are based on a contract of one year and credit amount is based on expected turnover. Sales to international customers are guaranteed by Air Total International, a related party and the risk of loss in this circumstance is nil.

The credit risk on liquid funds is limited because most of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or Total Treasury, a related entity within the Group.

Analysis of trade receivables by performing and past due is as follows;

***As at 31March 2017***

| | Fully Performing | Past Due | Total |
|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** |
| Network | 13,703,966 | - | 13,703,966 |
| General Trade | 2,983,568 | 4,759,320 | 7,742,888 |
| Aviation | 844,193 | 846,826 | 1,691,019 |
| **Trade receivables** | **17,531,727** | **5,606,146** | **23,137,873** |

***As at 31 December 2016***

| | Fully Performing | Past Due | Total |
|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** |
| Network | 9,041,872 | - | 9,041,872 |
| General Trade | 2,983,568 | 4,759,320 | 7,742,888 |
| Aviation | 844,193 | 846,826 | 1,691,019 |
| **Trade receivables** | **12,869,633** | **5,606,146** | **18,475,779** |

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Risk Management (cont'd)

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

| | 2017 | 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Customers | 22,920,720 | 18,033,320 |
| Due from related parties | 217,153 | 442,459 |
| Due from regulators (Government entities) | 8,702,771 | 14,631,109 |
| Other receivables | 29,838,508 | 5,589,017 |
| | **61,679,152** | **38,695,906** |

***Due from related parties***

The Company has transactions with its parent and other related parties who are related to the Company by virtue of being members of the Total Group. Amounts receivable from members of the Group are not impaired except the member is facing bankruptcy. In the directors' view, all amounts are collectible. No impairment was recorded with respect to amounts due to related parties in the period ( 2016: Nil).

***Due from Government entities***

This comprises amount due from PPPRA with respect to subsidies/PSF receivable on imported products as well as amounts receivable from PEF with respect to bridging claims.

Determination of amounts due are based on existing regulations/ guidelines and impairment is only recognized when changes occur in the regulations/ guidelines that prohibit or limit recovery of previously recognized amounts.

***Other receivables***

Other receivables include finance lease receivables, staff debtors and other sundry receivables. The Company reviews the balances due from this category on a yearly basis taking into consideration functions such as continued business/employment relationship and ability to offset amounts against transactions due to these parties.

**Financial Risk Management (cont'd)**

**27 Classification of financial instruments**

**(a) Accounting Classifications and fair values**

The Directors consider that the fair value of financial assets and liabilities are not significantly different from their carrying values.

The classification of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are shown in the table below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

***As at 31 March 2017***

| | Carrying amount | | |
|---|---|---|---|
| | Loans and receivables | Other financial liabilities | Total |
| | ₦'000 | ₦'000 | ₦'000 |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables | 59,755,707 | - | 59,755,707 |
| Cash and cash equivalents **(Note 23)** | 13,245,041 | - | 13,245,041 |
| | 73,000,748 | - | 73,000,748 |
| **Financial liabilities measured at fair value** | | | |
| Forward exchange contracts | | 1,191,000 | 1,191,000 |
| | - | 1,191,000 | 1,191,000 |
| **Financial liabilities not measured at fair value** | | | |
| Borrowings **(Note 20)** | - | 15,562,592 | 15,562,592 |
| Trade and other payables | - | 99,519,734 | 99,519,734 |
| | - | 115,082,326 | 115,082,326 |

***As at 31 December 2016***

| | Carrying amount | | |
|---|---|---|---|
| | Loans and receivables | Other financial liabilities | Total |
| | ₦'000 | ₦'000 | ₦'000 |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables | 43,545,545 | - | 43,545,545 |
| Cash and cash equivalents **(Note 23)** | 21,842,477 | - | 21,842,477 |
| | 65,388,022 | - | 65,388,022 |
| **Financial liabilities measured at fair value** | | | |
| Forward exchange contracts | | 1624000 | 1624000 |
| | - | 1,624,000 | 1,624,000 |
| Borrowings **(Note 20)** | - | 9,219,742 | 9,219,742 |
| Trade and other payables | - | 92,566,636 | 92,566,636 |
| | - | 101,786,378 | 101,786,378 |

**(b) Measurement of fair values**

Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value

| **Type** | **Valuation technique** | **Significant observable inputs** | **Inter-relationship between significant unobservable inputs and fair value measurement** |
|---|---|---|---|
| **Forward exchange contracts** | *Forward pricing:* The fair value is determined using the quoted forward exchange rates at the reporting date and relevant discount rates. | Not applicable | Not applicable |

**28 Assets pledged as security**

As at the period ended 31 March 2017 there were no assets pledged as security (2016: Nil).

**29 Events after the reporting date**

There were no events after the reporting date that could have a material effect on the financial position of the Company at 31 March 2017 and on the profit for the year ended on that date that have not been taken into account in these financial statements.

**30 Related party transactions**

As at the period ended 31 March 2017, the Parent Company Total Raffinage Marketing (incorporated in France) owned 61.72% of the issued shares of Total Nigeria PLC. The Ultimate Parent Company and ultimate controlling party is Total S.A (incorporated in France).

**30.1 Trading transactions**

During the period, the Company entered into the following transactions with related parties, who are members of the Total Group, as shown below:

| | Sale of goods | | Purchase of goods | | Others | |
|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Total Outré Mer | - | - | 2,578,077 | 17,707,804 | 14,011 | 157 |
| Total Oil Trading | - | - | - | | - | - |
| Total E&P Nigeria | 211,329 | 102,710 | - | - | - | - |
| Total Lubricants | 67,598 | 79,327 | - | - | - | - |
| Total marketting middle east | | - | 79,983 | | | - |
| Total SA | - | - | - | - | | 30,588 |
| Total Gestion International | - | - | - | - | | 72,274 |
| | 278,926 | 182,037 | 2,658,060 | 17,707,804 | 14,011 | 103,019 |

**30.2 Outstanding balance**

The following amounts were outstanding at the reporting date:

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 31 March 2017 | 31 December 2016 | 31 March 2017 | 31 December 2016 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Total Outre Mer | - | - | 24,729,544 | 32,067,604 |
| Total Supply | - | - | - | 170,143 |
| Total E&P Nigeria | 186,755 | 395,129 | 32,402 | - |
| Air Total International | - | - | - | 6,565 |
| Total SA | - | - | 392 | 58,772 |
| Total Gestion International | - | - | 21,271 | - |
| Total Access to Solar | - | - | 165,058 | - |
| Total Ghana | - | - | - | 993 |
| Total Oil Trading | - | - | 33,332 | - |
| Total marketing middle east | | - | - | 1,227 |
| Total Raffinage Marketing | - | - | 637,457 | 445,520 |
| Total Lubrifiants | 30,399 | 47,331 | - | - |
| | 217,154 | 442,460 | 25,619,457 | 32,750,824 |
| Total Treasury[1] | 6,897,323 | 4,991,427 | - | 993 |
| | 7,114,477 | 5,433,887 | 25,619,457 | 32,751,817 |

[1] Included in the analysis above is the balance of funds held with Total Treasury as at the end of the period amounting to ₦ 6.8 billion (2016: ₦4.9 billion). This has however been classified along with cash and cash equivalents in the statement of financial position. See Note 23.

### 31 Information regarding employees

**(i)** The table below shows the number of staff of the Company whose emoluments during the year excluding pension contributions were within the ranges stated:

| | 31 March 2017 Number | 31 December 2016 Number |
|---|---|---|
| Below ₦1,500,000 | 29 | 17 |
| ₦1,500,001 - ₦2,500,000 | 18 | 12 |
| ₦2,500,001 - ₦3,500,000 | 22 | 20 |
| ₦3,500,001 - ₦4,500,000 | 141 | 21 |
| ₦4,500,001 - ₦5,500,000 | 126 | 24 |
| ₦5,500,001 - ₦6,500,000 | 69 | 22 |
| ₦6,500,001 - ₦7,500,000 | 33 | 58 |
| ₦7,500,001 - ₦8,500,000 | 10 | 76 |
| ₦8,500,001 - ₦9,500,000 | 10 | 68 |
| ₦9,500,001 and above | 22 | 168 |
| | **480** | **486** |

**(ii)** The average number of persons employed in the financial year and the staff costs were as follows:

| | 31 March 2017 Number | 31 December 2016 Number |
|---|---|---|
| Managerial staff | 119 | 116 |
| Senior staff | 342 | 348 |
| Junior staff | 19 | 22 |
| | **480** | **486** |

**(iii)** The related staff cost amounted to ₦1.9billion (2016: ₦2.0 billion).

| Staff costs relating to the above were: | 31 March 2017 ₦'000 | 31 March 2016 ₦'000 |
|---|---|---|
| Salaries and wages | 1,700,796 | 1,722,610 |
| Termination benefits | 396 | 85,865 |
| Pension and social benefit | 113,032 | 109,423 |
| Medical expenses | 90,820 | 56,305 |
| Training expenses | 55,366 | 19,010 |
| Staff welfare expenses | 23,566 | 36,917 |
| | 1,983,976 | 2,030,130 |